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Weekly Highlights & Hot Bites, #29

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Report Highlights:

Government presses drought button, *Rainfall deficiency increases to 28 percent*, *No compromise on agriculture, India tells WTO*, *UPA may rework FTA with Thailand*, *Big Mac plans to pump in over \$55 million in next 2 years*, *Godrej plans foray into food retailing*, *BANGLADESH: Crop loss assessed at \$233 million*.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1]
[IN]

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

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GOVERNMENT PRESSES DROUGHT BUTTON

The government has pressed the panic button and is contemplating a slew of measures to deal with the impending drought. In order to tackle consequence of drought on crop production and supply, the Agriculture Ministry is seeking suspension of exports by the Food Corporation of India (FCI). The FCI has been directed to keep aside enough grain in the drought-affected states of Rajasthan, Maharashtra, Madhya Pradesh, and Andhra Pradesh to meet relief requirements for three to four months. The Agriculture Ministry has finalized a contingency plan to meet the crisis, which includes providing grain and fodder to drought affected regions, encouraging water harvesting and water conservation, implementing food-for-work program, and providing seeds of alternative crops. (Source: Pioneer, 07/24/04)

RAINFALL DEFICIENCY INCREASES TO 28 PERCENT

Rainfall was 28 percent deficient during the week ending July 21. This was the fourth consecutive week of deficient rainfall. Rainfall was 66 percent deficient in northwest India, 40 percent in central India, and 48 percent in south peninsula. However, it was in excess by 43 percent in northeast India. Twenty-six of the 36 meteorological subdivisions received deficient or scanty rains. The average cumulative rainfall for the entire country during the June 1 to July 21 period was 12 percent below normal. Over half of the country's 71 major water reservoirs have less than 30 percent water storage, threatening the collapse of the canal irrigation system in rain-deficit areas, where standing crops are facing moisture stress. The drought could also adversely affect hydropower generation. (Source: Financial Express, 07/24/04; Business Standard, 07/28/04)

Post Comment: For more details on monsoon, see GAIN report IN4075.

NO COMPROMISE ON AGRICULTURE, INDIA TELLS WTO

India has made it clear that it will not compromise on issues affecting the livelihood concerns of millions of the country's farmers, most of whom are at the level of bare subsistence. "Developed countries must understand that (in agriculture) we are battling not so much for trade as for subsistence and therefore, we cannot compromise on subsistence, risking in the process social and economic upheavals," Mr. Kamal Nath, Minister for Commerce and Industry, said. (Source: Press Information Bureau, GOI, 07/27/04)

UPA MAY REWORK FTA WITH THAILAND

The United Progressive Alliance (UPA) government is not backing out of the Free Trade Agreement (FTA) with Thailand, signed by the previous government, but would like to carefully examine and possibly rework some aspects of the agreement, according to official sources. The Prime Minister is concerned that FTA's with other nations, as well, may have made promises without adequate thought given to implementation. The UPA government's view is that the previous National Democratic Alliance regime had engaged in an FTA signing spree in the last few months before its exit from office, in order to refute the suggestion that

India was isolated after the failure of the Cancun WTO talks. (Source: Times of India, July 29, 2004)

BIG MAC PLANS TO PUMP IN OVER \$55 MILLION IN NEXT 2 YEARS

Fast-food chain McDonalds plans to pump rs. 25 billion (\$56 million) into their Indian operations over the next two years to take its total investment to rs. 100 billion (\$222 million). Its future plans include opening eight new outlets in northern India. A McDonald's official said its restaurants are serving over 2,500 customers per day in its existing 53 outlets. It is operating as two separate joint ventures in the northern and southern markets. However, McDonalds is considering franchising for future expansion. (Source: Business Line 7/27/04)

GODREJ PLANS FORAY INTO FOOD RETAILING

The Godrej group, one of India's major food processors, plans to venture into food retailing, either by acquiring a food retail chain or by setting up a new one. The group has been in talks to acquire a south India based retail chain, Trinethra. India's corporate presence in the retailing sector includes RPG group (Foodworld & Giant chains), Tata group (Westside), Raheja group (Shopper's Stop), and Pantaloon group (Big Bazaar & Food Bazaar). The organized retailing industry grew by 25 percent in 2003/04. The food and grocery segment accounts for 14 percent of the market. (Source: Business Standard 7/26/04)

BANGLADESH: CROP LOSS ASSESSED AT \$233 MILLION

A parliamentary standing committee yesterday termed the rehabilitation allocation for the flood-hit farm sector highly inadequate, prompting Agriculture Minister MK Anwar to assure it of increased funding over and above the \$8 million sum. The agriculture ministry has assessed a crop loss of \$233 million in 36 districts due to the flood so far. Small farmers will be provided with funds to buy fertilizer, seed, and other inputs under this program. (Source: The Daily Star, 07/26/04)

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